

Service Date: October 7, 1998

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the Application of) UTILITY DIVISION
United States Telecommunications, Inc. and)
U S WEST Communications, Inc.) DOCKET NO. D98.7.153
Pursuant to Section 252(e) of the)
Telecommunications Act of 1996 for) ORDER NO. 6101
Approval of their Service Resale Agreement)

ORDER APPROVING RESALE AGREEMENT

1. On February 8, 1996, the Telecommunications Act of 1996 (1996 Act)¹ was signed into law, ushering in a sweeping reform of the telecommunications industry that is intended to bring competition to the local exchange markets. The 1996 Act sets forth methods by which local competition may be encouraged in historically-monopolistic local exchange markets. The 1996 Act requires companies like U S WEST Communications, Inc. (U S WEST) to negotiate agreements with new competitive entrants in their local exchange markets. 47 U.S.C. §§ 251 and 252.

2. U S WEST Communications, Inc. (U S WEST) entered into an agreement with United States Telecommunications, Inc. (USTI) for resale of U S WEST services pursuant to the 1996 Act. U S WEST filed the parties' agreement, entitled "Interconnection Agreement Between United States Telecommunications, Inc. and U S WEST Communications, Inc." (Agreement) with the Montana Public Service Commission (Commission) on July 10, 1998. The

¹ Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (to be codified as amended in scattered sections of 47 U.S.C.).

Agreement was docketed as D98.7.153 and it provides for USTI to resell U S WEST's local exchange services in Montana.

3. The Commission issued a Notice of Commission Action on Applications for Approval of Interconnection Agreement and Notice of Opportunity to Intervene and Comment on July 14, 1998, giving public notice of the requirements that the Commission approval of the filings be nondiscriminatory toward other telecommunications carriers not parties to the agreement and be consistent with the public interest, convenience and necessity. The notice stated that no public hearing was contemplated unless requested by an interested party by July 27, 1998. The notice further stated that interested persons could submit limited comments on whether the agreements met these requirements no later than August 5, 1998.

4. No hearing has been requested and no comments or requests for intervention received in regard to the USTI Agreement. The USTI Agreement is similar to previously approved interconnection agreements between U S WEST and other competitive local exchange carriers (CLECs). The Commission has rejected certain provisions in these contracts and directed U S WEST to remedy its failure to comply with Commission orders in any future filing. U S WEST's filing in this Docket includes revisions to these sections and complies with Commission directives.

Applicable Law and Commission Decision

5. The standards for approving an interconnection agreement differ, depending on whether the agreement has been voluntarily negotiated or has been arbitrated by a state commission. 47 U.S.C. § 252(e)(2). The Agreement submitted for approval in this proceeding was negotiated voluntarily by the parties and thus must be reviewed according to the provisions in 47 U.S.C. § 252(e)(2)(A).

6. Section 252(e)(4) of the 1996 Act provides that a negotiated agreement submitted for a state commission's approval must be approved or rejected within 90 days or it will be deemed approved. Thus, Commission approval or rejection according to the substantive standards set forth in the 1996 Act must issue by October 8, 1998, 90 days following the submission of the USTI Agreement for Commission approval.

7. The Commission must approve or reject the agreement, with written findings as to any deficiencies. 47 U.S.C. § 252(e)(1). Section 252(e)(2)(A) prescribes the grounds for rejection of an agreement reached by voluntary negotiation:

(2) GROUNDS FOR REJECTION.--The State commission may only reject--

(A) an agreement (or any portion thereof) adopted by negotiation under [47 U.S.C. § 252(a)] if it finds that

(i) the agreement (or portion thereof) discriminates against a telecommunications carrier not a party to the agreement; or

(ii) the implementation of such agreement or portion is not consistent with the public interest, convenience, and necessity;

8. Notwithstanding the limited grounds for rejection in 47 U.S.C. § 252(e)(2)(A), the Commission's authority is preserved in § 252 (e)(3) to establish or enforce other requirements of Montana law in its review of arbitrated or negotiated agreements, including requiring compliance with state telecommunications service quality standards or requirements. Such compliance is subject to § 253 of the 1996 Act, which does not permit states to permit or impose any statutes, regulations, or legal requirements that prohibit or have the effect of prohibiting market entry.

9. Unlike an agreement reached through arbitration, a voluntarily negotiated agreement need not comply with standards set forth in §§ 251(b) and (c). 47 U.S.C. §§ 251(b),

252(c) and 252(a)(1) of the Act permit parties to agree to rates, terms and conditions for interconnection that may not be deemed just, reasonable and nondiscriminatory, and which are not determined according to the pricing standards included in . 252(c) of the Act, as would be required in the case of arbitrated rates set by the Commission.

10. By approving this Agreement, the Commission does not intend to imply that it approves of all the terms and conditions included in the Agreement and makes no findings herein on the appropriateness of many of the terms and conditions. Our interpretation of the 1996 Act is that . . 252(a) and (c) prevent the Commission from addressing such issues in this proceeding.

11. No comments have been received that express any reservations about the parties' agreement not complying with federal law as cited above or with state telecommunications requirements. The MCC, who represents the consumers of the State of Montana, has not intervened in this approval proceeding, and has not filed comments to indicate that any portion of the agreement is not consistent with the public interest, convenience and necessity. There have been no objections raised that the Agreement discriminates improperly or is not consistent with the public interest, convenience and necessity.

12. The Commission finds that the terms in the parties' Agreement appear to conform to the standards required by the Act and should be approved. In approving this Agreement, the Commission is guided by provisions in state and federal law, which have been enacted to encourage the development of competitive telecommunications markets. Section 69-3-802, MCA, for example, states that it is the policy of the State of Montana to encourage competition in the telecommunications industry and to provide for an orderly transition to a competitive market environment.

The Commission approves the revisions to the following contract terms included in this Agreement:

13. Ordering and Maintenance - Section IV.C.4 in this Agreement states that the documentation acceptable to U S WEST of the end user's selection of USTI may be obtained in any manner consistent with Montana law. *See* . 69-3-1303, MCA. Unlike prior versions, the provision no longer contains a reference to federal law and is now acceptable to the Commission.

14. Construction - Section IV.E.7 of the Agreement (p. 10) states:

Resold services are available only where facilities currently exist and are capable of providing such services without construction of additional facilities or enhancement of existing facilities unless otherwise required by Montana law. However, if Reseller requests that facilities be constructed or enhanced to provide resold services, USWC will review such requests on a case-by-case basis and determine, in its sole discretion, if it is economically feasible for USWC to build or enhance facilities. If USWC decides to build or enhance facilities, USWC will develop and provide to Reseller a price quote for the construction. If the quote is accepted, Reseller will be billed the quoted price and construction will commence after receipt of payment. (Emphasis supplied.)

The Commission rejected prior drafts of this section which did not include the emphasized language because the prior language could conflict with the public interest. Circumstances may arise where U S WEST is required by law to construct facilities. The section as revised in this Agreement is acceptable.

15. Payment - Section VII.C.5 sets forth in detail the provisions for payment to U S WEST by USTI. It provides for suspension of the provision during the initial three months of the Agreement and for three billing cycles. The Commission rejected prior versions of this section because a termination of service to the reseller could place the reseller's end user customers' services in jeopardy of being disconnected through no fault on their part.

16. This section now includes a provision for notification to the Commission of a pending disconnection of service. If notified of a pending termination of service to USTI's

customers, the Commission can act appropriately. Section VII.C.5 of the parties' Agreement now requires a reasonable notification to the Commission that will afford the Commission time in which to take any appropriate action to protect end users.

5. Dispute Resolution - Section VII.Q sets forth the parties' agreement pertaining to resolution of claims, controversies or other disputes which cannot be settled through negotiation. It provides that such disputes be resolved by arbitration conducted by a single arbitrator, who is an attorney, under the rules of the American Arbitration Association, and that the arbitrator's award shall be final and binding and may be entered in any court having jurisdiction thereof. The Commission rejected previous versions of this contract provision because they did not provide for notification to the Commission of issues to be arbitrated or of the subsequent decision reached by the arbitrator. The public interest and the facilitation of market entry is better served by such notification. The parties have revised this section to provide for adequate notification to the Commission. The section is now acceptable to the Commission.

Conclusions of Law

1. The Commission has authority to supervise, regulate and control public utilities. Section 69-3-102, MCA. U S WEST is a public utility offering regulated telecommunications services in the State of Montana. Section 69-3-101, MCA.

2. USTI intends to resell U S WEST's telecommunications services in U S WEST territories throughout Montana. Section 69-3-804, MCA (1995), has previously provided an exemption from Commission regulation for resellers. Senate Bill 89, passed by the 1997 Montana Legislature and signed into law by the Governor of Montana on April 22, 1997, removes the exemption from regulation in Montana for resellers of regulated telecommunications services. As a reseller of regulated telecommunications services in Montana, USTI will be

subject to Commission authority to supervise, regulate and control public utilities. Before providing services in Montana, USTI initially will be required to register with the Commission as a telecommunications provider and to provide the requested information to the Commission, if it has not already done so.

3. The Commission has authority to do all things necessary and convenient in the exercise of the powers granted to it by the Montana Legislature and to regulate the mode and manner of all investigations and hearings of public utilities and other parties before it.

Section 69-3-103, MCA.

4. The United States Congress enacted the Telecommunications Act of 1996 to encourage competition in the telecommunications industry. Congress gave responsibility for much of the implementation of the 1996 Act to the states, to be handled by the state agency with regulatory control over telecommunications carriers. *See generally*, the Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (*amending scattered sections of the Communications Act of 1934*, 47 U.S.C. . . . 151, *et seq.*). The Montana Public Service Commission is the state agency charged with regulating telecommunications carriers in Montana and properly exercises jurisdiction in this Docket pursuant to Title 69, Chapter 3, MCA.

5. Adequate public notice and an opportunity to be heard has been provided to all interested parties in this Docket, as required by the Montana Administrative Procedure Act, Title 2, Chapter 4, MCA.

6. The Commission has jurisdiction to approve the resale agreement negotiated by the parties and submitted to the Commission for approval according to . 252(e)(2)(A).

Section 69-3-103, MCA.

7. Approval of interconnection agreements by the Commission is subject to the requirements of federal law as set forth in 47 U.S.C. § 252. Section 252(e) limits the Commission's review of a negotiated agreement to the standards set forth therein for rejection of such agreements. Section 252(e)(4) requires the Commission to approve or reject the USTI Agreement by October 8, 1998, or the Agreement will be deemed approved.

Order

THEREFORE, based upon the foregoing, it is ORDERED that the resale agreement of the parties, submitted to this Commission for approval pursuant to the 1996 Act, is approved, subject to the following condition:

1. The parties shall file subsequent amendments to the Agreement with the Commission for approval pursuant to the 1996 Act.

DONE AND DATED this 5th day of October, 1998, by a vote of 4-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY MCCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision.
A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.